

WORTH COUNTY
Northwood, Iowa

INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
June 30, 2009

WORTH COUNTY, IOWA
Northwood, Iowa

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WORTH COUNTY
Northwood, Iowa

(Before January 2009)

Board of Supervisors

<u>Name</u>	<u>Term Expires</u>	<u>Title</u>
Dennis May.....	January 2011	First District
Darrell Bang.....	January 2009	Second District
Jeff Creger	January 2011	Third District

OFFICIALS

<u>Name</u>	<u>Term Expires</u>	<u>Title</u>
Kay Clark.....	January 2009	County Auditor
Jake Hanson	January 2011	County Treasurer
Elizabeth Kenison	January 2011	County Recorder
David Gentz	January 2009	County Sheriff
Jeff Greve	January 2011	County Attorney
Daniel Reeder	January 2010	County Assessor

(After January 2009)

Board of Supervisors

<u>Name</u>	<u>Term Expires</u>	<u>Title</u>
Dennis May.....	January 2011	First District
Dave Haugen.....	January 2013	Second District
Jeff Creger	January 2011	Third District

OFFICIALS

<u>Name</u>	<u>Term Expires</u>	<u>Title</u>
Kay Clark.....	January 2013	County Auditor
Jake Hanson	January 2011	County Treasurer
Elizabeth Kenison	January 2011	County Recorder
Jay Langenbau.....	January 2013	County Sheriff
Jeff Greve	January 2011	County Attorney
Daniel Reeder	January 2016	County Assessor



Gardiner Thomsen
Certified Public Accountants

Independent Auditors' Report

To the Officials of Worth County
Northwood, Iowa

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Worth County, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Worth County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Worth County at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2010, on our consideration of Worth County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information on pages 4 – 9 and 35 – 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Worth County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

April 22, 2010

Gardiner Thomsen, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Worth County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 2%, or approximately \$177,236 from fiscal 2008 to fiscal 2009. Property taxes decreased approximately \$25,590, charges for service decreased approximately \$78,917, operating grants and contributions increased approximately \$101,975, and capital grants and contributions decreased approximately \$66,596.
- Program expenses were 11% or approximately \$871,103, more in fiscal 2009 than in fiscal 2008. County Environment and Education expense increased approximately \$469,272.
- The County's net assets increased 2%, or approximately \$229,942, from June 30, 2008 to June 30, 2009.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Worth County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Worth County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue and the individual Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and non-program activities. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has three kinds of funds:

- 1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund, and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) Proprietary funds account for the County's Internal Service Fund, Employee Group Health Insurance Account. Internal Service Funds are accounting devices used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3) Fiduciary funds are used to report assets held in an agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for E911 services, emergency management services and the County Assessor, to name a few.

The required financial statements for fiduciary funds include a statement of fiduciary assets and liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Worth County's combined net assets increased from a year ago, increasing from \$10.346 million to \$10.576 million. The analysis that follows focuses on changes in the net assets for governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)

	June 30,	
	2009	2008
Current and Other Assets	\$19,732	\$10,107
Capital Assets	8,125	5,987
Total Assets	27,857	16,094
Long-Term Debt Outstanding	10,647	1,802
Other Liabilities	6,634	3,946
Total Liabilities	17,281	5,748
Net Assets:		
Invested in Capital Assets, Net of Related Debt	5,409	5,411
Restricted	11,076	4,450
Unrestricted	(5,909)	485
Total Net Assets	\$10,576	\$10,346

Net assets of Worth County's governmental activities increased 2% (\$10.346 million compared to \$10.576 million). The largest portion of the County's net assets is the invested in capital assets (e.g. land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements decreased from approximately \$485,000 at June 30, 2008 to approximately (\$5,909,000) at the end of this year.

Changes in Net Assets of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2009	2008
Revenues:		
Program Revenues:		
Charges for Service	\$869	\$948
Operating Grants, Contributions and Restricted Interest	2,701	2,599
Capital Grants, Contributions and Restricted Interest	30	96
General Revenues:		
Property Tax	3,256	3,259
Penalty and Interest on Property Tax	24	23
State Tax Credits	177	190
Local Option Sales Tax	327	320
Unrestricted Investment Earning	190	280
Other General Revenues	1,342	1,378
Total Revenues	8,916	9,093
Program Expenses:		
Public Safety and Legal Services	1,487	1,395
Physical Health and Social Services	911	899
Mental Health	809	876
County Environment and Education	1,204	734
Roads and Transportation	2,515	2,562
Governmental Services to Residents	314	266
Administration	1,116	915
Non-Program	79	102
Interest on Long-term Debt	251	66
Total Expenses	8,686	7,815
Increase in Net Assets	230	1,278
Net Assets Beginning of Year (As Restated)	10,346	9,068
Net Assets End of Year	\$10,576	\$10,346

The results of governmental activities for the year resulted in Worth County's net assets increasing by approximately \$229,942. Revenues for governmental activities decreased by approximately \$177,236 over the prior year, with property tax revenue down from the prior year by approximately \$25,590.

The County decreased property tax rates for 2009 by an average of eleven percent. This decrease lowered the County's property tax revenue by approximately \$12,234 in 2009. Property tax revenue is budgeted to increase by an additional \$225,545 next year.

The cost of all governmental activities this year was \$8.686 million compared to \$7.815 million last year. However, as shown in the Statement of Activities on page 11, the amount taxpayers ultimately financed for these activities was only \$5.086 million because some of the cost was paid by those directly benefited from the programs, (\$868,655), or by other governments and organizations that subsidized certain programs with grants and contributions, (\$2,730,431). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, decreased in 2009 from approximately \$3,642,624 to \$3,599,086. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$3,256,447 in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

INDIVIDUAL MAJOR FUNDS ANALYSIS

As Worth County completed the year, its governmental funds reported a combined fund balance of \$12,505,993, an increase of \$6,398,686 above last year's total of \$6,107,307. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues and expenditures were slightly less when compared to the prior year. The ending fund balance showed a decrease of \$228,067 from the prior year to \$1,405,021.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$809,141, a decrease of 8% from the prior year. The Mental Health Fund balance at year end increased by approximately \$43,466 over the prior year to \$251,068.
- Rural Services revenues increased slightly while expenditures decreased by \$239,913. Ending fund balance increased by \$147,384 to \$615,560.
- Secondary Roads Fund expenditures increased by approximately \$2,145,385 over the prior year. The Secondary Roads Fund ending balance increased approximately by \$6,258,947. This is due to the issuance of \$8,000,000 General Obligation Urban Renewal County Road Improvement Bonds during the fiscal year.
- Hwy 105 Trust revenues decreased slightly due to lower interest rates. This fund made a non-current interfund loan of \$400,000 to the Hartland Township TIF fund during the fiscal year. Ending fund balance decreased \$353,236 to \$1,229,636.

BUDGETARY HIGHLIGHTS

Over the course of the year, Worth County amended its budget twice. The first amendment was made in January 2009, and resulted in transfers for interfund loans and conservation and disbursements related to flooring, land improvements, asphalt, lumber, plumbing supplies, chemicals/herbicides, fertilizer/seed, fiscal agent fees, salary, FICA, IPERS, and computer. The second amendment was made in May 2009, and resulted in disbursements related to board proceedings, salary, overtime & shift pay, tires & tubes, wearing apparel & uniforms, cell phones & pagers, motor vehicle equipment maintenance/repair, weapons & supplies, IPERS, FICA, employee group insurance, office & data processing equipment, office & data processing equipment maintenance/repair, capital outlay, contributions to other governments & organizations, electric power, operating & construction equipment maintenance/repair, fiscal agent fees, accounting, auditing & clerical service.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, Worth County had approximately \$10.384 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$2,436,993 or 30% over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)

	June 30,	
	2009	2008
Land	\$163	\$163
Construction in Process	2,324	0
Buildings and Improvements	1,579	1,579
Equipment and Vehicles	3,106	2,993
Infrastructure	3,212	3,212
Total	\$10,384	\$7,947

This year's major additions include (expressed in thousands)

Infrastructure in Process	\$2,324
Sheriff Vehicles	50
Conservation Playground Equipment	22
Total	\$2,396

The County had depreciation expense of \$307,697 in fiscal year 2009 and total accumulated depreciation of \$2,259,934 at June 30, 2009.

The County's fiscal year 2009 capital budget included \$579,138 for capital projects, principally for continued upgrading of secondary roads and bridges. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2009 Worth County has approximately \$10,647,163 in general obligation bonds and other debt outstanding compared to approximately \$1,895,800 at June 30, 2008, as shown below.

Outstanding Debt at Year-End of Governmental Activities

(Expressed in Thousands)

	June 30,	
	2009	2008
General Obligation Bonds and Notes	\$10,093	\$1,257
Road Use Tax Anticipation Notes	296	387
Drainage Warrants and Improvement Certificates	107	120
Compensated Absences	106	93
Early Retirement Incentive	45	39
Total	\$10,647	\$1,896

The County continues to carry a general obligation bond rating as Aa3 assigned by national rating agencies to the County's debt since 1995. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Worth County's outstanding general obligation debt is significantly below its constitutional debt limit of \$27,765,510. Other obligations include accrued vacation pay and sick leave. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

NEXT YEAR'S BUDGETS AND RATES

Amounts available for appropriation in the fiscal 2010 operating budget are \$16,207,405, an increase of fifty-six percent over the final 2009 budget. The County has added roadway construction to the 2010 budget.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Worth County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Worth County Auditors' Office, 1000 Central Avenue, Northwood, Iowa.

WORTH COUNTY
Northwood, Iowa

STATEMENT OF NET ASSETS

June 30, 2009

	Governmental Activities
ASSETS	
Cash & Pooled Investments	\$14,700,933
Receivables:	
Property Tax:	
Delinquent	3,333
Succeeding Year	3,899,923
Interest & Penalty on Property Tax	473
Accounts	50,892
Accrued Interest	11,019
Notes	500,000
Drainage Assessments	106,955
Due From Other Governments	231,168
Inventories	228,078
Capital Assets (Net of Accumulated Depreciation)	8,124,799
TOTAL ASSETS	27,857,573
LIABILITIES	
Accounts Payable	2,584,770
Accrued Interest Payable	25,561
Salaries & Benefits Payable	13,237
Due To Other Governments	107,631
Deferred Revenue:	
Succeeding Year Property Tax	3,902,867
Long Term Liabilities:	
Portion Due or Payable Within One Year:	
General Obligation Bonds	182,653
General Obligation Notes	290,667
Improvement Certificates	13,355
Compensated Absences	106,434
Termination Benefits	10,236
Portion Due or Payable After One Year:	
General Obligation Bonds	9,313,459
General Obligation Notes	601,842
Improvement Certificates	93,600
Termination Benefits	34,917
TOTAL LIABILITIES	17,281,229
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	5,408,664
Restricted For:	
Mental Health Purposes	251,336
Secondary Roads Purposes	7,652,378
Other Purposes	3,172,915
Unrestricted	(5,908,949)
TOTAL NET ASSETS	\$10,576,344

See Notes To Financial Statements

WORTH COUNTY
Northwood, Iowa

STATEMENT OF ACTIVITIES
Year Ended June 30, 2009

	Program Revenues				
	Expenses	Charges for Service	Operating Grants, Contributions, & Restricted Interest	Capital Grants, Contributions, & Restricted Interest	Net (Expense) Revenue & Changes in Net Assets
FUNCTIONS/PROGRAMS:					
Governmental Activities:					
Public Safety & Legal Services	\$1,486,811	\$70,782	\$21,461	\$0	\$(1,394,568)
Physical Health & Social Services	910,506	277,452	322,005	0	(311,049)
Mental Health	809,141	64,116	346,880	0	(398,145)
County Environment & Education	1,203,600	19,262	0	29,6588	(1,154,680)
Roads & Transportation	2,514,938	282,856	2,010,427	0	(221,655)
Governmental Services to Residents	313,854	120,107	0	0	(193,747)
Administration	1,116,070	22,434	0	0	(1,093,636)
Non-program	79,738	11,646	0	0	(68,092)
Interest on Long-Term Debt	251,266	0	0	0	(251,266)
TOTAL	\$8,685,924	\$868,655	\$2,700,773	\$29,658	(5,086,838)
GENERAL REVENUES:					
Property and Other County Tax Levied For:					
General Purposes					3,256,447
Penalties & Interest on Property Tax					23,738
State Tax Credits					177,397
Local Option Sales Tax					327,368
Unrestricted Investment Earnings					189,622
Miscellaneous					1,063,141
Tax Increment Financing					279,067
TOTAL GENERAL REVENUES					5,316,780
CHANGE IN NET ASSETS					229,942
NET ASSETS, BEGINNING OF YEAR					10,346,402
NET ASSETS, END OF YEAR					\$10,576,344

See Notes To Financial Statements

WORTH COUNTY
Northwood, Iowa

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009

		Special Revenue	
	General	Mental Health	Rural Services
ASSETS			
Cash and Pooled Investments	\$1,417,203	\$336,127	\$626,109
Receivables:			
Property Tax:			
Delinquent	2,217	496	620
Succeeding Year	2,025,977	416,763	1,009,783
Interest & Penalty on Property Tax	473	0	0
Accounts	36,138	0	0
Accrued Interest	7,329	0	0
Assessments	0	0	0
Due From Other Governments	62,204	10,879	21,701
Inventories	0	0	0
TOTAL ASSETS AND OTHER DEBITS	\$3,551,541	\$764,265	\$1,658,213
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$107,572	\$16,171	\$3,521
Salaries & Benefits Payable	11,861	0	1,376
Due to Other Governments	0	79,995	27,636
Deferred Revenue:			
Succeeding Year Property Tax	2,025,977	416,763	1,009,783
Other	1,110	268	337
Total Liabilities	2,146,520	513,197	1,042,653
Fund Balances:			
Reserved For:			
Closure	0	0	0
Inventories	0	0	0
Unreserved, Reported in:			
General Fund	1,405,021	0	0
Special Revenue Funds	0	251,068	615,560
Capital Project Funds	0	0	0
Total Fund Balances	1,405,021	251,068	615,560
TOTAL LIABILITIES AND FUND BALANCES	\$3,551,541	\$764,265	\$1,658,213

See Notes To Financial Statements

Special Revenue			
Secondary Roads	Highway 105 Trust	Nonmajor	Total
\$9,740,841	\$1,227,735	\$1,343,312	\$14,691,327
0	0	0	3,333
0	0	447,400	3,899,923
0	0	0	473
9,765	0	4,989	50,892
0	1,901	1,789	11,019
0	0	106,955	106,955
136,384	0	0	231,168
228,078	0	0	228,078
\$10,115,068	\$1,229,636	\$1,904,445	\$19,223,168
\$2,437,742	\$0	\$19,764	\$2,584,770
0	0	0	13,237
0	0	0	107,631
0	0	450,344	3,902,867
0	0	106,955	108,670
2,437,742	0	577,063	6,717,175
0	0	4,086	4,086
228,078	0	0	228,078
0	0	0	1,405,021
7,449,248	1,229,636	1,323,231	10,868,743
0	0	65	65
7,677,326	1,229,636	1,327,382	12,505,993
\$10,115,068	\$1,229,636	\$1,904,445	\$19,223,168

WORTH COUNTY
Northwood, Iowa

RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
June 30, 2009

Total Governmental Fund Balances (Page 13)	\$12,505,993
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of the assets is \$10,384,733 and the accumulated depreciation is \$2,259,934.	8,124,799
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Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds.	108,670
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The Internal Service Fund is used by management to charge the costs of self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.	9,606
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Long-term liabilities, including bonds payable, accrued interest payable and compensated absences payable are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(10,172,724)</u>
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Net Assets of Governmental Activities (Page 10)	<u>\$10,576,344</u>
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See Notes to Financial Statements.

WORTH COUNTY
Northwood, Iowa

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2009

		Special Revenue	
	General	Mental Health	Rural Services
REVENUES:			
Property & Other County Tax	\$2,710,810	\$417,690	\$1,298,722
Interest & Penalty on Property Tax	23,738	0	0
Intergovernmental	640,190	434,142	58,664
Licenses & Permits	6,025	0	0
Charges for Services	247,925	0	6,545
Use of Money & Property	135,857	0	811
Miscellaneous	113,025	775	15,000
Total Revenues	3,877,570	852,607	1,379,742
EXPENDITURES:			
Operating:			
Public Safety & Legal Services	1,221,243	0	246,275
Physical Health & Social Services	881,575	0	0
Mental Health	0	809,141	0
County Environment & Education	468,314	0	208,811
Roads & Transportation	0	0	0
Governmental Services to Residents	311,048	0	348
Administration	1,009,186	0	129
Non-Program	0	0	0
Debt Service	0	0	0
Capital Projects	50,215	0	47,482
Total Expenditures	3,941,581	809,141	503,045
Excess (Deficiency) of Revenues Over (Under) Expenditures	(64,011)	43,466	876,697
Other Financing Sources (Uses):			
Operating Transfers In	0	0	0
Operating Transfers Out	(64,056)	0	(729,313)
Interfund Loan	(100,000)	0	0
General Obligation Bond Issued	0	0	0
Total Other Financing Sources (Uses)	(164,056)	0	(729,313)
Net Change in Fund Balances	(228,067)	43,466	147,384
Fund Balances – Beginning of Year	1,633,088	207,602	468,176
Increase in Reserve for Inventories	0	0	0
Fund Balances – End of Year	\$1,405,021	\$251,068	\$615,560

See Notes To Financial Statements.

Exhibit E

Special Revenue			
Secondary Roads	Highway 105 Trust	Nonmajor	Total
\$0	\$0	\$279,067	\$4,706,289
0	0	0	23,738
2,034,101	0	25,112	3,192,209
22,201	0	0	28,226
0	0	15,664	270,134
0	46,764	29,839	213,271
253,794	0	73,679	456,273
2,310,096	46,764	423,361	8,890,140
0	0	12,232	1,479,750
0	0	4,002	885,577
0	0	0	809,141
0	0	500,050	1,177,175
2,295,692	0	0	2,295,692
0	0	0	311,396
0	0	26,325	1,035,640
0	0	65,758	65,758
208,142	0	396,171	604,313
2,374,113	0	0	2,471,810
4,877,947	0	1,004,538	11,136,252
(2,567,851)	46,764	(581,177)	(2,246,112)
782,000	0	11,369	793,369
0	0	0	(793,369)
0	(400,000)	500,000	0
8,000,000	0	600,000	8,600,000
8,782,000	(400,000)	1,111,369	8,600,000
6,214,149	(353,236)	530,192	6,353,888
1,418,379	1,582,872	797,190	6,107,307
44,798	0	0	44,798
\$7,677,326	\$1,229,636	\$1,327,382	\$12,505,993

WORTH COUNTY
Northwood, Iowa

RECONCILIATION OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2009

Net Change in Fund Balances - Total Governmental Funds (Page 16) **\$6,353,888**

*Amounts reported for governmental activities in the Statement of
Activities are different because:*

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year as follows:

Expenditures for Capital Assets	\$2,430,393	
Capital Assets Contributed by the WCDA	15,500	
Depreciation Expense	<u>(307,697)</u>	2,138,196

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds as follows:

Property Tax	87	
Other	<u>(14,290)</u>	(14,203)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issuances as follows:

Issued	(8,614,944)	
Repaid	<u>376,692</u>	(8,238,252)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds as follows:

Compensated Absences	(13,114)	
Interest on Long-Term Debt	<u>(2,290)</u>	(15,404)

Inventories in the governmental funds have been recorded as expenditures when paid. However, the Statement of Activities will report these items as expenditures in the period that the corresponding net asset is exhausted.

44,798

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The Change in Net Assets of the Internal Service Fund is reported with governmental activities.

(39,081)

Change in Net Assets of Governmental Activities (Page 11)

\$229,942

See Notes to Financial Statements.

**WORTH COUNTY
Northwood, Iowa**

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2009**

Internal Service
Employee Group
Health

ASSETS

Cash & Cash Equivalents	\$9,606
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NET ASSETS

Unrestricted	\$9,606
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See Notes To Financial Statements.

WORTH COUNTY
Northwood, Iowa

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2009

	<u>Internal Service Employee Group Health</u>
Operating Revenues:	
Reimbursements from Operating Funds	\$362,620
Reimbursements from Employees	36,040
Insurance Reimbursements	9,646
Total Operating Revenue	<u>408,306</u>
Operating Expenses:	
Medical Claims	3,802
Insurance Premiums	443,683
Miscellaneous	14
Total Operating Expenses	<u>447,499</u>
Operating Loss	(39,193)
Non-Operating Revenues:	
Interest on Investments	<u>112</u>
Net Loss	(39,081)
Net Assets Beginning of Year	<u>48,687</u>
Net Assets End of Year	<u>\$9,606</u>

See Notes To Financial Statements.

**WORTH COUNTY
Northwood, Iowa****STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2009**

	<u>Internal Service Employee Group Health</u>
Cash Flows From Operating Activities:	
Cash Received From Operating Fund Reimbursements	\$362,620
Cash Received From Employees and Others	45,686
Cash Payments to Supplies for Services	(448,543)
Net Cash Used in Operating Activities	(40,237)
Cash Flows From Investing Activities:	
Interest on Investments	112
Net Decrease in Cash and Cash Equivalents	(40,125)
Cash and Cash Equivalents at Beginning of Year	49,731
Cash and Cash Equivalents at End of Year	\$9,606
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:	
Operating Loss	\$(39,193)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:	
Decrease in Accounts Payable	(1,044)
Net Cash Used in Operating Activities	\$(40,237)

See Notes To Financial Statements.

**WORTH COUNTY
Northwood, Iowa****STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2009****ASSETS**

Cash and Pooled Investments:	
County Treasurer	\$820,054
Other County Officials	130,580
Receivables:	
Property Tax:	
Delinquent	5,816
Succeeding Year	8,261,893
Accounts	12,850
Due From Other Governments	5,111
Total Assets	9,236,304

LIABILITIES

Accounts Payable	941
Due to Other Governments	9,076,085
Trusts Payable	155,183
Compensated Absences	4,095
Total Liabilities	9,236,304

NET ASSETS	\$0
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See Notes To Financial Statements.

WORTH COUNTY
Northwood, Iowa

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Worth County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are presented in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. REPORTING ENTITY

For financial reporting purposes, Worth County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County.

These financial statements present Worth County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units – The following component units are entities which are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Seventy-nine drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Worth County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the individual drainage districts can be obtained from the Worth County Auditors' office.

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods and services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Worth County Assessor's Conference Board, Worth County Emergency Management Commission, and Worth County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in an Agency Fund of the County.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

B. BASIS OF PRESENTATION

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the County and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other non-exchange transactions.

The Statement of Net Assets presents the County's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue Funds

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

B. BASIS OF PRESENTATION (CONTINUED)

The Secondary Roads Fund is used to account for the secondary road construction and maintenance.

The Highway 105 Trust Fund is used to account for funds to be used to improve and maintain Highway 105.

Additionally, the County reports the following funds:

Proprietary Fund – An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds – Agency funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units, and/or other funds.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply the cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

The proprietary fund of the County applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund is charges to customers for sales and services. Operating expenses for internal services funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on a cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. ASSETS, LIABILITIES AND FUND EQUITY

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for non-negotiable certificates of deposits which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2008.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

Interest and Penalty on Property Tax Receivable - Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Drainage Assessments Receivable - Drainage assessments receivable represent amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Delinquent drainage assessments receivable represent assessments which are due and payable but have not been collected. Succeeding year drainage assessments receivable represents remaining assessments which are payable but not yet due.

Due from and Due to Other Funds - During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2009, balances of inter-fund amounts receivable or payable have been recorded in the fund financial statements.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants, and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve, which indicates that they are not available to liquidate current obligations.

Capital Assets - Capital assets, which include property, equipment and vehicles, and infrastructure assets acquired after July 1, 2003 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$50,000
Land, Buildings and Improvements	25,000
Equipment and Vehicles	5,000

Capital assets of the County are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings and Improvements	20-50
Infrastructure	30-50
Equipment and Vehicles	2-20

Due to Other Governments - Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

Trusts Payable - Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unspent grant proceeds.

Compensated Absences - County employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absence liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Long-Term Liabilities - In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets - The net assets of the Internal Service Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

E. BUDGETS AND BUDGETARY ACCOUNTING

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009 disbursements exceeded amounts budgeted in the debt service function.

Notes to Financial Statements (Continued)

Note 2: Cash and Pooled Investments

The County's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2009, the County had the following investment:

Type	Fair Value	Maturity
US Government Treasury Bill	\$7,999,716	7-9-09

Concentration of Credit Risk: US Government Treasury Bills are excluded, given the direct guarantee of the government.

Note 3: Inter-fund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

Transfer To	Transfer From	Amount
Special Revenue:		
Secondary Roads	General Fund	\$52,687
Secondary Roads	Special Revenue:	
	Rural Services	729,313
Emergency Medical Services	General Fund	1,369
Conservation Reserve	General Fund	10,000
		<u>\$793,369</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Notes to Financial Statements (Continued)

Note 3: Inter-fund Transfers (Continued)

During the fiscal year ended June 30, 2009, the Board of Supervisors approved non current interfund loans for the purpose of construction of water and sewer services in a tax increment financing area. \$100,000 and \$400,000 were transferred from General Fund and the Special Revenue Fund, Highway 105 Trust, respectively, to the Special Revenue Fund, Hartland Township TIF. The proceeds of the loans were forwarded to Xenia Rural Water for construction of the water and sewer system. The loan from General Fund was to be repaid in the fiscal year 2010. After 2010, the TIF Revenue would be paid to Xenia not to exceed an additional \$1.5 million. Once Xenia Rural Water had collected \$2,000,000, the TIF Revenue collections were to repay the Highway 150 Trust. The detail of the interfund loans for the year ended June 30, 2009 is as follows:

Interfund Loan To	Interfund Loan From	Amount
Hartland Township TIF	General Fund	\$100,000
Hartland Township TIF	Special Revenue: Highway 105 Trust	400,000
		<u>\$500,000</u>

Note 4: Capital Assets

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Land	\$163,714	\$0	\$0	\$163,714
Construction in Process	0	2,323,628	0	2,323,628
Total Capital Assets Not being Depreciated	163,714	2,323,628	0	2,487,342
Capital Assets Being Depreciated:				
Buildings	1,217,643	0	0	1,217,643
Improvements	361,461	0	0	361,461
Machinery and Equipment	2,414,640	72,468	0	2,487,108
Vehicles	578,300	49,797	8,900	619,197
Infrastructure	3,211,982	0	0	3,211,982
Total Capital Assets Being Depreciated	7,784,026	122,265	8,900	7,897,391
Less Accumulated Depreciation For:				
Buildings	244,208	31,266	0	275,474
Improvements	23,432	7,229	0	30,661
Machinery and Equipment	1,034,203	117,222	0	1,151,425
Vehicles	390,847	58,310	8,900	440,257
Infrastructure	268,447	93,670	0	362,117
Total Accumulated Depreciation	1,961,137	307,697	8,900	2,259,934
Total Capital Assets Being Depreciated, Net	5,822,889	(185,432)	0	5,637,457
Governmental Activities Capital Assets, Net	\$5,986,603	\$2,138,196	\$0	\$8,124,799

Notes to Financial Statements (Continued)

Note 4: Capital Assets (Continued)

Depreciation was charged to the following functions:

Public Safety and Legal Services	\$47,409
Physical Health and Social Services	5,525
County Environment and Education	37,032
Roads and Transportation	198,330
Administration	19,401
Total Depreciation Expense – Governmental Activities	<u>\$307,697</u>

Note 5: Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

Fund	Description	Amount
Special Revenue:		
Mental Health	Services	\$79,995
Rural Services		<u>27,636</u>
Total For Governmental Funds		<u>\$107,631</u>
Agency:		
Agricultural Extension	Collections	\$131,234
Assessor		241,335
Schools		6,099,494
Community Colleges		270,064
Corporations		1,540,110
Auto Licenses & Use Tax		171,214
All Other		<u>622,634</u>
Total For Agency Funds		<u>\$9,076,085</u>

Note 6: Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	Notes Payable	Compensated Absences	Drainage Improvement Certificates	Revenue Bond	Early Retirement Incentive	Hartland Township TIF Loan	Total
Balance Beginning of Year	\$575,260	\$93,321	\$119,627	\$1,068,699	\$38,893	\$0	\$1,895,800
Additions	500,000	13,113	0	8,600,000	14,943	500,000	9,628,056
Reductions	182,751	0	12,672	172,587	8,683	0	376,693
Balance End of Year	<u>\$892,509</u>	<u>\$106,434</u>	<u>\$106,955</u>	<u>\$9,496,112</u>	<u>\$45,153</u>	<u>\$500,000</u>	<u>\$11,147,163</u>
Due Within One Year	<u>\$190,667</u>	<u>\$106,434</u>	<u>\$13,355</u>	<u>\$182,653</u>	<u>\$10,236</u>	<u>\$100,000</u>	<u>\$603,345</u>

Notes to Financial Statements (Continued)

Note 6: Changes in Long-Term Debt (Continued)

Notes Payable

In November 2002, Worth County entered into a purchase agreement with Spreitzer, Inc. for four road graders. The loan for the full purchase amount of \$697,688 was secured through Northwoods State Bank. Principal payments under this loan agreement totaled \$92,399 during the year ended June 30, 2009.

A summary of the County's indebtedness is as follows:

Year Ending June 30	Interest Rate	Principal	Interest	Total
2010	4.23	\$96,210	\$4,070	\$100,280

On September 22, 2003, the County issued \$1,385,700 of Urban Renewal Tax Increment Revenue Bond Series 2003. The bond was issued for the purpose of defraying a portion of the costs of an urban renewal project in the Iowa Ethanol Urban Renewal Area. The bond is not a general obligation of the County, and is payable solely from the revenue of the Urban Renewal Tax Revenue Fund. Interest on the bond is 5.75%, payable June 1 and December 1, commencing December 1, 2003 through June 1, 2006. Principal payments begin December 1, 2006 through December 1, 2013. Payments totaled \$172,587 during fiscal 2009.

A summary of the County's indebtedness is as follows:

Year Ending June 30	Interest Rate	Principal	Interest	Total
2010	5.75%	\$182,653	\$48,947	\$231,600
2011	5.75	193,306	38,294	231,600
2012	5.75	204,515	27,085	231,600
2013	5.75	216,510	15,090	231,600
2014	5.75	99,129	2,857	101,986
		<u>\$896,113</u>	<u>\$132,273</u>	<u>\$1,028,386</u>

On January 29, 2007, the County issued \$580,952 of Road Use Tax Revenue Anticipation Notes. The purpose of the note was to provide funds to purchase five Sterling Tandem Trucks for the Secondary Roads department. The Notes will be paid from future receipts of Road Use Tax. The first payment was made on the note the day the trucks were received. Payments are due annually, from January 2008 through January 2012, including interest at 4.43%. Principal payments during the year ended June 30, 2009 totaled \$90,351.

A summary of the County's June 30 indebtedness is as follows:

Year Ending June 30	Principal	Interest	Total
2010	\$94,457	\$13,308	\$107,765
2011	98,699	9,066	107,765
2012	103,141	4,633	107,774
	<u>\$296,297</u>	<u>\$27,007</u>	<u>\$323,304</u>

Notes to Financial Statements (Continued)

Note 6: Changes in Long-Term Debt (Continued)

On June 18, 2009, the County issued \$8,600,000 of General Obligation Urban Renewal County Road Improvement Bonds, Series 2009A. Interest ranges from 2.05% to 4.0% over the life of the issue. Interest commences semiannually on December 1, 2009, principal is due annually beginning June 1, 2013. The Bonds were issued to pay the cost of improvements to the County roads. The Bonds will be retired with Tax Increment Financing Revenue from the Windmill TIF Fund.

A summary of the County's General Obligation Urban Renewal indebtedness is as follows:

Year Ended 6/30:	Interest Rate	Principal	Interest	Total
2010	2.05%	\$0	\$270,043	\$270,043
2011	2.05%	0	280,970	280,970
2012	2.05%	0	280,970	280,970
2013	2.05%	250,000	280,970	530,970
2014	2.35%	770,000	275,845	1,045,845
2015-2019	2.50-3.60%	4,500,000	1,046,855	5,546,855
2020-2022	3.75-4.00%	3,080,000	244,875	3,324,875
		<u>\$8,600,000</u>	<u>\$2,680,528</u>	<u>\$11,280,528</u>

The County is in compliance with all bond and note resolutions.

Drainage Warrants/Drainage Improvement Certificates Payable

Drainage warrants are warrants, which are legally drawn on drainage district funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented.

Drainage improvement certificates payable represent amounts due to purchasers of drainage improvement certificates. Drainage improvement certificates are waivers that provide for a landowner to pay an improvement assessment in installment payments over a designated number of years with interest at a designated interest rate. The improvement certificates representing those assessments or installments due from the landowners are sold for cash as interest bearing certificates. Funds received from the sale of certificates are used to pay outstanding registered warrants issued to contractors who perform work on drainage district improvements and registered warrants issued for other related costs. Drainage improvement certificates are redeemed and interest paid to the bearer of the certificate upon receipt of the installment payment plus interest from the landowner.

Drainage warrants and drainage improvement certificates are paid from the Special Revenue Fund solely from drainage assessments against benefited properties.

Early Retirement Incentive

As an early retirement incentive, the County will provide single premium health insurance equal to the dollar value of the fiscal year approved premium with no annuity until age 65. To qualify the employee must be 55 years of age with 30 years of IPERS eligible service. The program will be reviewed annually. During the year ending June 30, 2009, the County's expense for three employees was \$8,683. Two employees are eligible to receive the benefit after June 30, 2009. The liability to the County (at current rates) is \$45,153.

Notes to Financial Statements (Continued)

Note 7: Pension and Retirement Benefits

Worth County is a member in the Iowa Public Employees Retirement System (IPERS) which is a cost sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.10% of their annual covered salary and the County is required to contribute 6.35% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$199,007, \$176,299 and \$166,201, respectively, equal to the required contributions for the year.

Note 8: Risk Management

The County carries commercial insurance which provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property and inland marine. There has been no reduction in insurance coverage from prior years.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond. The County assumes liability for any deductibles and claims in excess of coverage limitations. The County assumes responsibility for workers compensation and employee blanket bond claims in excess of \$500,000 and \$100,000 per employee, with an additional \$50,000 coverage on the Treasurer. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past four fiscal years.

Note 9: Employee Health Insurance Plan

The Worth County Health Fund was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Wellmark, Blue Cross, and Blue Shield.

Monthly payments of service fees and plan contributions to the Worth County Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Blue Cross and Blue Shield of Iowa from the Worth County Health Fund. The County records the plan assets and related liabilities of the Worth County Health Fund as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2009 was \$362,620.

Note 10: Business Transactions

Business transactions between the County and County officials or employees were noted.

Notes to Financial Statements (Continued)

Note 11: Subsequent Event

In August of 2009, Xenia Rural Water declared bankruptcy. All work on the water and sewer infrastructure being constructed in the Hartland Township Tax Increment Financing area ceased. As a result of the bankruptcy, and the urban renewal project being halted, there are no additional tax increment financing revenues being collected for the Hartland Township TIF to repay the interfund loans as reported in Note 3. The County anticipates the receipt of \$97,000 in TIF revenue to the Hartland Township TIF to repay most of the loan from General Fund. It is not known when the remainder of the General Fund loan or the Highway 105 Trust in its entirety will be repaid. Until the project resumes or the TIF agreement is rewritten, the County will continue to report a balance in notes receivable and notes payable on the statement of net assets.

WORTH COUNTY**Northwood, Iowa**

**BUDGETARY COMPARISON SCHEDULE OF
RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES
BUDGET AND ACTUAL (CASH BASIS)
ALL GOVERNMENTAL FUNDS**

Required Supplementary Information
Year Ended June 30, 2009

	Actual	Less Funds Not Required to be Budgeted
RECEIPTS:		
Property and Other County Tax	\$4,708,143	\$0
Interest and Penalty on Property Tax	24,013	0
Intergovernmental	3,245,379	0
Licenses and Permits	28,759	0
Charges for Services	266,389	0
Use of Money and Property	218,399	0
Miscellaneous	476,690	67,658
Total Receipts	<u>8,967,772</u>	<u>67,658</u>
DISBURSEMENTS:		
Public Safety and Legal Services	1,493,242	0
Physical Health and Social Services	891,044	0
Mental Health	832,315	0
County Environment and Education	1,299,991	0
Roads and Transportation	2,322,818	0
Governmental Services to Residents	312,410	0
Administrative Services	951,003	0
Non-Program	62,678	62,678
Debt Services	604,313	0
Capital Projects	152,498	0
Total Disbursements	<u>8,922,312</u>	<u>62,678</u>
Excess (Deficiency) of Receipts Under Disbursements	45,460	4,980
Other Financing Sources, Net	<u>8,600,000</u>	<u>0</u>
Excess (Deficiency) of Receipts and Other Financing Sources Under Disbursements and Other Financing Uses	8,645,460	4,980
Fund Balances – Beginning of Year	<u>6,045,867</u>	<u>339,628</u>
Fund Balances – End of Year	<u><u>\$14,691,327</u></u>	<u><u>\$344,608</u></u>

See Accompanying Independent Auditors' Report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
\$4,708,143	\$4,087,154	\$4,087,154	\$620,989
24,013	22,206	22,206	1,807
3,245,379	3,159,110	3,159,110	86,269
28,759	6,881	6,881	21,878
266,389	273,064	273,064	(6,675)
218,399	315,977	315,977	(97,578)
409,032	412,526	412,526	(3,494)
8,900,114	8,276,918	8,276,918	623,196
1,493,242	1,492,034	1,586,734	93,492
891,044	1,142,713	1,149,686	258,642
832,315	935,400	935,400	103,085
1,299,991	921,896	1,509,151	209,160
2,322,818	2,955,356	2,955,356	632,538
312,410	346,179	346,179	33,769
951,003	1,012,019	1,046,719	95,716
0	0	0	0
604,313	439,745	439,745	(164,568)
152,498	571,138	579,138	426,640
8,859,634	9,816,480	10,548,108	1,688,474
40,480	(1,539,562)	(2,271,190)	2,311,670
8,600,000	0	0	8,600,000
8,640,480	(1,539,562)	(2,271,190)	10,911,670
5,706,239	4,083,441	4,083,441	1,622,798
\$14,346,719	\$2,543,879	\$1,812,251	\$12,534,468

WORTH COUNTY
Northwood, Iowa

BUDGETARY COMPARISON SCHEDULE –
BUDGET TO GAAP RECONCILIATION

Required Supplementary Information
Year Ended June 30, 2009

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$8,967,772	\$(77,632)	\$8,890,140
Expenditures	8,922,312	2,213,940	11,136,252
Net	45,460	(2,291,572)	(2,246,112)
Other Financing Sources	8,600,000	0	8,600,000
Beginning Fund Balances	6,045,867	61,440	6,107,307
Increase in Reserve for: Inventories	0	44,798	44,798
Ending Fund Balances	<u>\$14,691,327</u>	<u>\$(2,185,334)</u>	<u>\$12,505,993</u>

See Accompanying Independent Auditors' Report.

WORTH COUNTY
Northwood, Iowa

**NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION – BUDGETARY REPORTING**

June 30, 2009

The budgetary comparison is presented as Required Supplementary Information in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$731,628. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the Debt Service function.

WORTH COUNTY
Northwood, Iowa

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2009

	REAP	Recorder Records Management	Emergency Medical Services	Conservation Reserve	County Disposal Closure
ASSETS					
Cash and Pooled Investments	\$33,714	\$5,196	\$2,566	\$36,954	\$4,086
Receivables:					
Property Tax:					
Succeeding Year	0	0	0	0	0
Accounts	0	466	2,944	0	0
Accrued Interest	0	0	0	0	0
Assessments	0	0	0	0	0
TOTAL ASSETS	\$33,714	\$5,662	\$5,510	\$36,954	\$4,086
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$0	\$0	\$0	\$0	\$0
Deferred Revenue:					
Succeeding Year Property Tax	0	0	2,944	0	0
Other	0	0	0	0	0
Total Liabilities	0	0	2,944	0	0
Fund Balances					
Reserved for:					
Closure	0	0	0	0	4,086
Unreserved	33,714	5,662	2,566	36,954	0
Total Fund Equity	33,714	5,662	2,566	36,954	4,086
TOTAL LIABILITIES AND FUND BALANCES	\$33,714	\$5,662	\$5,510	\$36,954	\$4,086

See Accompanying Independent Auditors' Report.

Schedule 1

Board and Room	Probation Fees	Ethanol Bond	Joining Generations	Que Pasa	Commissary	DARE	Windfarm TIF	Drainage	Capital Projects	Total
\$72,637	\$34,894	\$352,541	\$6,158	\$313	\$20,338	\$3,595	\$425,647	\$344,608	\$65	\$1,343,312
0	0	447,400	0	0	0	0	0	0	0	447,400
1,167	150	0	262	0	0	0	0	0	0	4,989
0	0	1,789	0	0	0	0	0	0	0	1,789
0	0	0	0	0	0	0	0	106,955	0	106,955
\$73,804	\$35,044	\$801,730	\$6,420	\$313	\$20,338	\$3,595	\$425,647	\$451,563	\$65	\$1,904,445
\$0	\$0	\$0	\$0	\$0	\$141	\$0	\$16,543	\$3,080	\$0	\$19,764
0	0	447,400	0	0	0	0	0	0	0	450,344
0	0	0	0	0	0	0	0	106,955	0	106,955
0	0	447,400	0	0	141	0	16,543	110,035	0	577,063
0	0	0	0	0	0	0	0	0	0	4,086
73,804	35,044	354,330	6,420	313	20,197	3,595	409,104	341,528	65	1,323,296
73,804	35,044	354,330	6,420	313	20,197	3,595	409,104	341,528	65	1,327,382
\$73,804	\$35,044	\$801,730	\$6,420	\$313	\$20,338	\$3,595	\$425,647	\$451,563	\$65	\$1,904,445

WORTH COUNTY**Northwood, Iowa****COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES –
NONMAJOR GOVERNMENTAL FUNDS**

Year Ended June 30, 2009

	REAP	Recorder Records Management	Emergency Medical Services	Conservation Reserve	County Disposal Closure	Board and Room
REVENUES:						
Property and Other County Tax	\$0	\$0	\$0	\$0	\$0	\$0
Intergovernmental	14,158	0	10,954	0	0	0
Charges for Services	559	1,673	0	0	0	10,627
Use of Money and Property	0	95	0	0	0	0
Miscellaneous	0	0	0	0	0	0
Total Revenues	14,717	1,768	10,954	0	0	10,627
EXPENDITURES:						
Operating:						
Public Safety and Legal Services	0	0	10,068	0	0	0
Physical Health and Social Services	0	0	0	0	0	0
County Environment and Education	0	0	0	0	50	0
Administration	0	0	0	0	0	0
Non-Program	0	0	0	0	0	0
Debt Service	0	0	0	0	0	0
Total Expenditures	0	0	10,068	0	50	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	14,717	1,768	886	0	(50)	10,627
Other Financing Sources:						
Operating Transfers In	0	0	1,369	10,000	0	0
Interfund Loan	0	0	0	0	0	0
General Obligation Bonds Issued	0	0	0	0	0	0
Total Other Financing Sources (Uses)	0	0	1,369	10,000	0	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	14,717	1,768	2,255	10,000	(50)	10,627
Fund Balances – Beginning of Year	18,997	3,894	311	26,954	4,136	63,177
Fund Balances – End of Year	\$33,714	\$5,662	\$2,566	\$36,954	\$4,086	\$73,804

See Accompanying Independent Auditors' Report.

Schedule 2

Probation Fees	Ethanol Bond	Joining Generations	Que Pasa	Hartland Township	TIF Commissary	DARE	Windfarm TIF	Drainage	Capital Projects	Total
\$0	\$279,067	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$279,067
0	0	0	0	0	0	0	0	0	0	25,112
2,805	0	0	0	0	0	0	0	0	0	15,664
0	7,383	0	0	0	22,361	0	0	0	0	29,839
0	0	1,896	530	0	0	3,595	0	67,658	0	73,679
2,805	286,450	1,896	530	0	22,361	3,595	0	67,658	0	423,361
0	0	0	0	0	2,164	0	0	0	0	12,232
0	0	3,384	618	0	0	0	0	0	0	4,002
0	0	0	0	500,000	0	0	0	0	0	500,050
0	0	0	0	0	0	0	26,325	0	0	26,325
0	0	0	0	0	0	0	0	65,758	0	65,758
0	231,600	0	0	0	0	0	164,571	0	0	396,171
0	231,600	3,384	618	500,000	2,164	0	190,896	65,758	0	1,004,538
2,805	54,850	(1,488)	(88)	(500,000)	20,197	3,595	(190,896)	1,900	0	(581,177)
0	0	0	0	0	0	0	0	0	0	11,369
0	0	0	0	500,000	0	0	0	0	0	500,000
0	0	0	0	0	0	0	600,000	0	0	600,000
0	0	0	0	500,000	0	0	600,000	0	0	1,111,369
2,805	54,850	(1,488)	(88)	0	20,197	3,595	409,104	1,900	0	530,192
32,239	299,480	7,908	401	0	0	0	0	339,628	65	797,190
\$35,044	\$354,330	\$6,420	\$313	\$0	\$20,197	\$3,595	\$409,104	\$341,528	\$65	\$1,327,382

WORTH COUNTY
Northwood, Iowa

COMBINING SCHEDULE OF FIDUCIARY
 ASSETS AND LIABILITIES
AGENCY FUNDS
 June 30, 2009

	County Offices	Agricultural Extension Education	County Assessor	Schools
ASSETS				
Cash & Pooled Investments:				
County Treasurer	\$0	\$2,447	\$130,235	\$116,889
Other County Officials	130,580	0	0	0
Receivables:				
Property Tax:				
Delinquent	0	70	63	3,305
Succeeding Year	0	128,717	115,161	5,979,300
Accounts	0	0	0	0
Due From Other Governments	0	0	0	0
TOTAL ASSETS	\$130,580	\$131,234	\$245,459	\$6,099,494
LIABILITIES				
Accounts Payable	\$0	\$0	\$29	\$0
Due to Other Governments	238	131,234	241,335	6,099,494
Trusts Payable	130,342	0	0	0
Compensated Absences	0	0	4,095	0
TOTAL LIABILITIES	\$130,580	\$131,234	\$245,459	\$6,099,494

See Accompanying Independent Auditors' Report.

Schedule 3

Community Colleges	Corporations	Townships	City Special Assessments	Auto Licenses & Use Tax	Other	Total
\$5,369 0	\$32,686 0	\$2,091 0	\$634 0	\$171,214 0	\$358,489 0	\$820,054 130,580
145 264,550 0 0	2,081 1,505,343 0 0	63 105,805 0 0	0 0 0 0	0 0 0 0	89 163,017 12,850 5,111	5,816 8,261,893 12,850 5,111
\$270,064	\$1,540,110	\$107,959	\$634	\$171,214	\$539,556	\$9,236,304
\$0 270,064 0 0	\$0 1,540,110 0 0	\$0 107,959 0 0	\$0 634 0 0	\$0 171,214 0 0	\$912 513,803 24,841 0	\$941 9,076,085 155,183 4,095
\$270,064	\$1,540,110	\$107,959	\$634	\$171,214	\$539,556	\$9,236,304

WORTH COUNTY
Northwood, Iowa

**COMBINING SCHEDULE OF CHANGES IN FIDUCIARY
ASSETS AND LIABILITIES – AGENCY FUNDS**
Year Ended June 30, 2009

	County Offices	Agricultural Extension Education	County Assessor	Schools
ASSETS AND LIABILITIES				
Balances – Beginning of Year	\$75,408	\$114,082	\$236,891	\$5,500,813
Additions:				
Property & Other County Tax	0	135,384	121,124	6,288,502
E911 Surcharge	0	0	0	0
State Tax Credits	0	6,577	5,882	314,410
Office Fees & Collections	173,132	0	0	0
Electronic Transaction Fees	0	0	0	0
Auto Licenses, Use Tax & Postage	0	0	0	0
Assessments	0	0	0	0
Trusts	254,284	0	0	0
Miscellaneous	0	0	0	0
Total Additions	427,416	141,961	127,006	6,602,912
Deductions:				
Agency Remittances:				
To Other Funds	116,799	0	0	0
To Other Governments	55,349	124,809	118,438	6,004,231
Trusts Paid Out	200,096	0	0	0
Total Deductions	372,244	124,809	118,438	6,004,231
Balances – End of Year	\$130,580	\$131,234	\$245,459	\$6,099,494

See Accompanying Independent Auditors' Report.

Schedule 4

Community Colleges	Corporations	Townships	City Special Assessments	Auto License & Use Tax	Other	Total
\$250,227	\$1,413,610	\$91,501	\$437	\$141,142	\$585,734	\$8,409,845
279,164	1,539,378	112,900	0	0	171,634	8,648,086
0	0	0	0	0	63,598	63,598
14,427	88,307	5,340	0	0	8,502	443,445
0	0	0	0	0	0	173,132
0	0	0	0	0	1,673	1,673
0	0	0	0	1,882,861	0	1,882,861
0	0	0	3,166	0	0	3,166
0	0	0	0	0	114,209	368,493
0	0	0	0	0	69,629	69,629
293,591	1,627,685	118,240	3,166	1,882,861	429,245	11,654,083
0	0	0	0	57,403	0	174,202
273,754	1,501,185	101,782	2,969	1,795,386	357,501	10,335,404
0	0	0	0	0	117,922	318,018
273,754	1,501,185	101,782	2,969	1,852,789	475,423	10,827,624
\$270,064	\$1,540,110	\$107,959	\$634	\$171,214	\$539,556	\$9,236,304

WORTH COUNTY
Northwood, Iowa

**SCHEDULE OF REVENUES BY SOURCE AND
EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS**

For the Last Seven Years

	Modified Accrual Basis		
	2009	2008	2007
Revenues:			
Property & Other County Tax	\$4,706,289	\$4,660,501	\$4,817,961
Interest & Penalty on Property Tax	23,738	23,306	22,208
Intergovernmental	2,854,887	3,126,322	3,109,154
Licenses & Permits	28,226	13,393	6,791
Charges for Service	270,134	280,340	269,487
Use of Money & Property	213,271	279,526	298,995
Miscellaneous	793,595	601,495	530,999
Total	<u>\$8,890,140</u>	<u>\$8,984,883</u>	<u>\$9,055,595</u>
Expenditures:			
Operating:			
Public Safety & Legal Services	\$1,479,750	\$1,353,072	\$1,361,097
Physical Health & Social Services	885,577	929,359	983,323
Mental Health	809,141	876,387	885,789
County Environment & Education	1,177,175	1,043,541	573,119
Roads & Transportation	2,295,692	2,495,760	2,968,455
Governmental Services to Residents	311,396	265,543	266,808
Administrative Services	1,035,640	831,601	800,019
Non-Program	65,758	85,217	106,584
Debt Services	604,313	473,991	344,496
Capital Projects	2,471,810	526,122	589,045
Total	<u>\$11,136,252</u>	<u>\$8,880,593</u>	<u>\$8,878,735</u>

See Accompanying Independent Auditors' Report.

Schedule 5

Modified Accrual Basis			
2006	2005	2004	2003
\$3,786,710	\$3,251,269	\$2,533,936	\$2,385,163
26,313	24,938	23,346	26,524
3,162,052	3,771,851	3,219,773	2,869,101
7,753	4,018	3,909	4,580
262,579	292,122	261,798	236,295
212,418	108,187	99,672	135,986
446,046	575,354	414,027	467,116
<u>\$7,903,871</u>	<u>\$8,027,739</u>	<u>\$6,556,461</u>	<u>\$6,124,765</u>
\$1,141,572	\$1,144,281	\$1,159,239	\$1,038,546
951,470	886,674	879,418	921,995
881,146	769,579	824,134	818,414
511,767	593,839	1,595,051	433,269
2,191,910	2,651,749	2,042,794	2,038,864
261,798	257,646	229,174	210,873
664,192	595,584	602,439	594,167
110,602	124,566	195,186	599,834
207,523	124,704	57,041	0
242,341	895,667	1,184,583	124,512
<u>\$7,164,321</u>	<u>\$8,044,289</u>	<u>\$8,769,059</u>	<u>\$6,780,474</u>



Gardiner Thomsen
Certified Public Accountants

**Independent Auditors' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

To the Officials of Worth County:
Northwood, Iowa

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Worth County as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated April 22, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Worth County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Worth County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Worth County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings to be material weaknesses, items A, C and D.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in the internal control over financial reporting, item B.

Compliance and Other Matters

As a part of obtaining reasonable assurance about whether Worth County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Worth County's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit Worth County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Worth County and other parties to whom Worth County may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Worth County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

April 22, 2010

Gardiner Thomsen, P.C.

WORTH COUNTY
Northwood, Iowa

Schedule of Findings
Year Ended June 30, 2009

Findings Related to the Financial Statements

SIGNIFICANT DEFICIENCIES

- A **Segregation of Duties** – During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. We noted not all the collection, deposit preparation and reconciliation functions are segregated from recording and accounting of cash receipts in the Treasurer's and Recorder's office.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, County Officials should review the operating procedures of each office to obtain the maximum internal control possible under the circumstances.

Response – We have reviewed procedures and plan to make the necessary changes to improve internal control. Specifically, the custody, record-keeping and reconciling functions currently performed by each office will be separated and spread among the County Treasurer, Deputy and Clerk, and the County Recorder and Deputy Recorder.

Conclusion – Response accepted.

- B **Information Systems** – During our review of internal control, the existing control activities in the County's computer based systems were evaluated in order to determine that activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The following weaknesses in the County's computer based systems were noted:

The County does not have written policies for:

- Password privacy and confidentiality.

Also, the County does not have a written disaster recovery plan.

Recommendation – The County should develop written policies addressing the above items in order to improve the County's control over computer based systems.

Response – The County will comply in the future with these recommendations. County officials have discussed and agree that these policies are needed.

Conclusion – Response accepted.

- C **Financial Reporting** – During the audit, we identified material amounts of receivables, payables, interest and capital assets not recorded or incorrectly recorded in the County's financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

WORTH COUNTY
Northwood, Iowa

Schedule of Findings (Continued)
Year Ended June 30, 2009

Findings Related to the Financial Statements (Continued)

Recommendation – The County should implement procedures to ensure all receivables, payables, interest and capital assets are identified and included in the County's financial statements.

Response – We will revise our current procedures to ensure the proper amounts are recorded in the financial statements in the future. We have further segregated the posting duties to ensure proper recording of interest revenue.

Conclusion – Response accepted.

- D **Preparation of Full Disclosure Financial Statements** – Internal controls over financial reporting include the actual preparation and review of financial statements, including footnote disclosure, for external reporting, as required by generally accepted accounting principles. Worth County does not have the internal resources to prepare the full disclosure financial statements required by GAAP for external reporting. While this circumstance is not uncommon for most governmental entities, it is the responsibility of management and those charged with governance, to prepare reliable financial data, or accept the risk associated with this condition because of cost or other considerations.

Recommendation – We recognize that with a limited number of office employees, gaining sufficient knowledge and expertise to properly select and apply accounting principles and preparing full disclosure financial statements for external reporting purposes is difficult. However, we recommend that County officials continue to review operating procedures and obtain the internal expertise needed to handle all the aspects of external financial reporting, rather than rely on external assistance.

Response – We recognize our limitations, however, it is not fiscally responsible to add additional staff at this time.

Conclusion – Response acknowledged.

INSTANCE OF NON-COMPLIANCE

No matters were reported.

WORTH COUNTY
Northwood, Iowa

Schedule of Findings
Year Ended June 30, 2009

Other Findings Related to Required Statutory Reporting

1. **Certified Budget** – Disbursements during the year ended June 30, 2009 exceeded the amounts budgeted in the Debt Service function.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will amend the budget when required.

Conclusion – Response accepted.

2. **Questionable Expenditures** – Certain expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These expenditures are detailed as follows:

Paid to	Purpose	Amount
Pat Jaspers (Sheriff's Office)	Fourth of July Parade Supplies	\$62
Cinema West		
One Invoice for Public Health	Gift Certificates for Mentor Program	\$450
Pizza Ranch		
One Invoice for Public Health	Pizza for Continuing Education	\$34
Fallgatter's Market		
One Invoice for Conservation	Food for Programs	\$120
One Invoice for Public Health	Food for Meetings	\$181
Signatures Supper Club		
Two Invoices for Public Health	Mentor and Tobacco Coalition Dinners	\$713
Worth County PH		
One Invoice for Public Health	Snacks and Pizza	\$172
VISA		
Two Invoices for Public Health	Food for Mentor Program	\$135

According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Recommendation – The Board of Supervisors should determine and document the public purpose served by these expenditures before authorizing any further payments. If this practice is continued, the County should establish written policies and procedures, including requirements for proper documentation.

WORTH COUNTY
Northwood, Iowa

Schedule of Findings (Continued)
Year Ended June 30, 2009

Other Findings Related to Required Statutory Reporting (Continued)

Response –

Sheriff – The participation in the parade was to celebrate 150 years, and the Sheriff's Office doesn't participate annually, but, as recommended, a policy will be implemented as soon as possible, in case of participation in the future.

Conservation – As recommended, a policy will be implemented as soon as possible.

Public Health – As recommended, a policy will be implemented as soon as possible.

Emergency Management – As recommended, a policy will be implemented as soon as possible.

Conclusion – Response accepted.

3. **Travel Expense** – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
4. **Business Transactions** – The following business transactions between the County and County officials or employees were noted:

<u>Name, Title & Business Connection</u>	<u>Description</u>	<u>Amount</u>
Barb Berge, Auditor's Office Berge Oil Company Owned by Barb Berge's Brother-in-Law	Fuel	\$197,073
Barbara Walser, Auditor's Office Marge Odden Barbara Walser's Sister	Election Worker	153
Darrell Bang, Supervisor Marilyn Bang Darrell Bang's Wife	Election Worker	215

In accordance with Chapter 331.342 of the Code of Iowa, the transactions over \$1,500 with Berge Oil Company do not appear to represent conflicts of interest since Barb Berge appears not to participate in acquiring the above services.

In accordance with Chapter 331.342 of the Code of Iowa, the transactions with Marge Odden and Marilyn Bang do not appear to represent conflicts of interest as the services provided were not in excess of \$1,500.

5. **Bond Coverage** – Surety bond coverage of County officials and employees is in accordance with statutory provisions.
6. **Board Minutes** – No transactions were found that we believe should have been approved in the Board minutes but were not.

WORTH COUNTY
Northwood, Iowa

Schedule of Findings (Continued)
Year Ended June 30, 2009

Other Findings Related to Required Statutory Reporting (Continued)

7. **Resource Enhancement and Protection Certification** – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19 (1)(b) of the Code of Iowa in order to receive additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
8. **Deposits and Investments** – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.
9. **County Extension Office** – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2009 for the County Extension Office did not exceed the amount budgeted.

10. **Economic Development** – During the year ended June 30, 2009, the County expended \$640,930 for economic development purposes, which appear to be appropriate expenditures of public funds since the public benefits to be derived have been clearly documented.
11. **Separately Maintained Accounts** – We noted a number of Sheriff's accounts that were not included in the County budget process, accounting system and financial reporting. There appears to be no legal reason for these accounts to be separately maintained. Also, the Inmate Commissary account profits should be submitted to the County Treasurer to be deposited into a Special Revenue Fund.

Recommendation – These accounts should be turned over to the Treasurer and Special Revenue Funds should be established for these accounts. These funds should be included in the County's budget process, accounting system and financial reporting. All disbursements should be included in the claims process.

Response – The accounts will be turned over to the Treasurer this year when the Special Revenue Fund accounts are established.

Conclusion – Response acknowledged.

12. **Credit Card Policy** – Several departments have credit cards for use by various employees while on County business. The County does have a written policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges. However, it was noted that supporting documentation for the Public Health Department was not always available to support credit card charges.

WORTH COUNTY
Northwood, Iowa

Schedule of Findings (Continued)
Year Ended June 30, 2009

Other Findings Related to Required Statutory Reporting (Continued)

Recommendation – As required by the credit card policy, all claims for purchases by credit card should be supported by detailed invoices or other appropriate supporting documentation before payment.

Response – We will have sufficient appropriate supporting documentation available for credit card claims before payment.

Conclusion – Response accepted.

News Release

Gardiner Thomsen, P.C. today released an audit report on Worth County, Iowa.

Gardiner Thomsen, P.C. reported that the County had local tax revenue of \$13,974,217 for the year ended June 30, 2009, which included \$619,842 in tax credits from the State. The County then forwarded \$8,382,492 of the local tax revenue to the townships, school districts, cities, and other taxing bodies in the County.

The County retained \$3,256,447 of the local tax revenue to finance County operations, a less than 1% decrease from the prior year. Other revenues included charges for service of \$868,655 operating grants, contributions and restricted interest of \$3,527,670, unrestricted investment earnings of \$189,622 local option sales tax of \$327,368 and other general revenues of \$1,063,141.

Expenses for the County operations totaled \$8,685,924, an 11% increase from the prior year. Expenditures included \$2,514,938 for Roads and Transportation, \$1,486,811 for Public Safety and Legal Services, and \$1,203,600 for County Environment and Education.

A copy of the audit report is available for review in the County Auditor's Office, in the Office of the Auditor of State and on the Auditor of State's website at <http://auditor.iowa.gov/reports/reports.htm>.

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